



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
ALLEN COUNTY CLERK**

Calendar Year 1999

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
ALLEN COUNTY
BEVERLY CALVERT, COUNTY CLERK
CALENDAR YEAR 1999
FEE AUDIT

Description of Office:

The office of the County Clerk is mandated and regulated by state laws and regulations. The office of the County Clerk has been charged with the responsibility of licensing all motor vehicles and boats, collecting sales and property taxes on the same, registering voters, tabulating election results, and recording all manner of deeds, real estate and chattel mortgages as well as a myriad of other recordings. The County Clerk is also responsible for the collection of delinquent taxes and fees on delinquent tax bills received from the County Sheriff each year.

Audit Results:

The auditor has issued an unqualified opinion on the Allen County Clerk's financial statements for the period January 1, 1999 through December 31, 1999. An unqualified opinion is an opinion issued when the auditor, based on the audit work performed, believes the financial statements of the auditee are presented fairly in all material respects.

Fee Account Financial Position:

Adequate funds were available to pay all 1999 operating obligations.

Excess Fees:

The County Clerk paid \$476 of excess fees to the county for calendar year 1999. The payment would have been larger had not the County Clerk paid fiscal court obligations of \$12,004 for employer's matching social security and \$12,005 of employer matching retirement.

Statement of Receipts, Disbursements, and Excess Fees:

The financial statements of the Allen County Clerk for calendar year 1999 reflect receipts and disbursements of \$2,628,450 and \$2,570,047 respectively. Approximately 95% of the Clerk's receipts were for licenses and taxes. Disbursements for licenses and taxes comprise approximately 90.4% of total disbursements. Approximately 2.1% of gross receipts, \$54,897, was expended for office renovations, new computers, and point-of-sale software.

Office Improvements:

During the calendar year, the County Clerk made extensive renovations to her office for better efficiency and accountability. The County Clerk also leased new computers and purchased new point-of-sale software which will help maintain proper and accurate recordkeeping.

Leases:

The County Clerk has approximately \$112,388 in outstanding lease payments for the next 4 years.

Report on Compliance and Internal Control:

There were no material noncompliances noted during the performance of the audit and the report does not reflect any reportable conditions with regards to the County Clerk's internal control structure.

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Johnny Hobdy, Allen County Judge/Executive
Honorable Beverly Calvert, Allen County Clerk
Members of the Allen County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Allen County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Johnny Hobdy, Allen County Judge/Executive
Honorable Beverly Calvert, Allen County Clerk
Members of the Allen County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated April 11, 2000, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 11, 2000

ALLEN COUNTY
BEVERLY CALVERT, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

State Fees For Services	\$	7,299
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Fiscal Court		10,783
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	335,948
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Usage Tax		1,139,552
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Tangible Personal Property Tax		884,330
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Motor Vehicle Lien Release Fees		4,204
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Motor Vehicle Notary Fees		6,946
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Miscellaneous Motor Vehicle		739
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Licenses-

Fish and Game		17,181
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Marriage		6,590
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Deed Transfer Tax		34,834
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Delinquent Tax		58,608
		2,488,932

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	19,319
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Real Estate Mortgages		23,178
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Chattel Mortgages and Financing Statements		56,585
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All Other Recordings		17,527
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Charges for Other Services-

Candidate Filing Fees		50
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Copywork		2,157
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Other:

Miscellaneous Income		193
		119,009

Interest Earned		2,427
		2,427

Gross Receipts (Carried Forward)	\$	2,628,450
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ALLEN COUNTY
 BEVERLY CALVERT, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1999
 (Continued)

Gross Receipts (Brought Forward) \$ 2,628,450

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 249,735	
Usage Tax	1,104,638	
Tangible Personal Property Tax	305,914	

Licenses-

Fish and Game	16,660	
Delinquent Tax	6,650	
Legal Process Tax	18,400	
Candidate Filing Fees	<u>30</u>	\$ 1,702,027

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 76,422	
Delinquent Tax	5,794	
Deed Transfer Tax	<u>33,092</u>	115,308

Payments to Other Districts:

Tangible Personal Property Tax	\$ 466,431	
Delinquent Tax	<u>29,945</u>	496,376

Payments to Sheriff 1,619

Payments to County Attorney 8,935

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies Salaries	\$ 106,827	
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Employee Benefits-

Employer's Share of Social Security	12,004	
Employer's Share of Retirement	12,005	
Employer's Paid Health Insurance	17,331	

BEVERLY CALVERT, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1999
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Contracted Services-			
Computer Equipment and Software			
Lease and Maintenance Agreements	\$	20,632	
Copier Leases and Maintenance		6,096	
Materials and Supplies-			
Office Supplies		20,414	
Other Charges-			
Conventions and Travel		760	
Dues		500	
Postage		4,388	
Training		6,448	
Refunds:			
Usage Tax	\$	1,348	
Tangible Personal Property Tax		279	
Delinquent Tax		68	
Recording and Miscellaneous		526	2,221
Bank Charges			126
Bonds			254
Bad debts			802
Indexing Books			534
Miscellaneous			175
Capital Outlay-			
Office Renovations		14,212	
Office Furnishings		20,053	\$ 245,782
Total Disbursements			<u>\$ 2,570,047</u>
Net Receipts			\$ 58,403
Less: Statutory Maximum			<u>53,639</u>
Excess Fees			\$ 4,764
Less: Expense Allowance	\$	3,600	
County Clerk's Training Incentive		688	<u>4,288</u>
Excess Fees Due County for Calendar Year 1999			\$ 476
Payment to County Treasurer - February 25, 2000			<u>476</u>
Balance Due at Completion of Audit			<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent.

ALLEN COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 1999
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of December 31, 1999, the bank balances were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name. However, as of April 8, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$166,119 of public funds uninsured and unsecured. In addition, the County Clerk did not have a written agreement with the depository institution securing the Clerk's interest in the collateral as of April 8, 1999. The County Clerk did obtain a written agreement which covered all of the criteria specified above on August 17, 1999.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of April 8, 1999.

	<u>Bank Balance</u>
Uncollateralized and uninsured	<u>\$ 166,119</u>

Note 4. Grants

A. Library and Archives Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$17,030. Interest receipts were \$426 and grant expenditures were \$17,456 during calendar year 1999. All grant funds had been expended as of December 31, 1999.

ALLEN COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 1999
 (Continued)

Note 4. Grants (Continued)

B. Library and Archives Grant – Former County Clerk

The former County Clerk, Elvis Russell received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$14,246 during calendar year 1997. There were no expenditures from the grant proceeds and the grant balance as of December 31, 1998 (the end of the former clerk's term of office) was \$14,921. This amount was transferred to the next elected Allen County Clerk. The Kentucky Department of Libraries and Archives transferred the grant agreement to the current county clerk. During calendar year 1999, interest receipts totaling \$465 were earned on the unexpended grant funds. There were no expenditures and the grant fund balance as of December 31, 1999 was \$15,386.

Note 5. Leases

County Clerk's office is committed to the following lease agreements as of December 31, 1999:

Item Leased	Monthly Payment	Term of Agreement	Ending Date	Remaining Lease Payments As Of December 31, 1999
Software Management Inc.-				
Computer Equipment	\$ 1,802	60 months	July 11, 2004	\$ 97,308
Xerox - Copier	\$ 209	60 months	October 27, 2002	\$ 10,022
Triple M Business Products -				
Copier	\$ 163	36 months	August 23, 2002	\$ 5,058

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Johnny Hobdy, Allen County Judge/Executive
Honorable Beverly Calvert, Allen County Clerk
Members of the Allen County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Allen County Clerk as of December 31, 1999, and have issued our report thereon dated April 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Allen County Clerk's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Allen County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Johnny Hobdy, Allen County Judge/Executive
Honorable Beverly Calvert, Allen County Clerk
Members of the Allen County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 11, 2000

